

# Rail franchising reaches the terminus as a new railway takes shape

- new 'recovery' contracts deliver government commitment to end the complicated franchising model and deliver a simpler, effective model to reform Britain's railways
- agreements focused on high performance targets and simplifying journeys are first steps to a network that puts passengers back in control

Ministers today ended rail franchising after 24 years as the first step in bringing Britain's fragmented network back together.

The new system will create a simpler, more effective structure and will take shape over the coming months. The first stage, today, is moving operators onto transitional contracts to prepare the ground for the new railway.

From this morning, franchising is replaced with more demanding Emergency Recovery Management Agreements (ERMAs). These address the continuing impact of the pandemic on the railway and delivers on a government commitment to replace the current franchising system.

These management agreements have tougher performance targets and lower management fees. The new contracts allow us to make an early start on key reforms, including requiring operators to co-ordinate better with each other and driving down the railways' excessive capital costs.

Management fees will now be a maximum of 1.5% of the cost base of the franchise before the pandemic began. The ERMAs are a transitional stage to the new system, the biggest change to the railways in a quarter of a century.

Under current public health guidance, the intention is also for operators to run an almost full service to ensure there is space to help passengers travel safely.

ERMAs pave the way for wider rail industry reform that prioritises the passenger. In 2018 Keith Williams, the chairman of Royal Mail, was asked to review the railways after a chaotic timetable change and the failure of some franchises.

Today's announcement, which has his full support, is the prelude to a white paper which will respond to his recommendations. The white paper will be published when the course of the pandemic becomes clearer.

The Transport Secretary, Grant Shapps, said:

The model of privatisation adopted 25 years ago has seen significant rises in passenger numbers, but this pandemic has proven that it is no longer working.

Our new deal for rail demands more for passengers. It will simplify people's journeys, ending the uncertainty and confusion about whether you are using the right ticket or the right train company.

It will keep the best elements of the private sector, including competition and investment, that have helped to drive growth, but deliver strategic direction, leadership and accountability.

Passengers will have reliable, safe services on a network totally built around them. It is time to get Britain back on track.

Until passenger numbers return, significant taxpayer support will still be needed, including under the transitional contracts announced today. But the reforms will enable substantial medium and longer-term savings for taxpayers.

Keith Williams, chair of the Williams Review, said:

These new agreements represent the end of the complicated franchising system, demand more from the expertise and skills of the private sector, and ensure passengers return to a more punctual and co-ordinated railway.

I am ensuring the recommendations I propose are fit for a post-COVID world, but these contracts kickstart a process of reform that will ensure our railways are entirely focused on the passenger, with a simpler, more effective system that works in their best interest.